No. 85-1951

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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1985

INDIUM CORPORATION OF AMERICA,

*Petitioner,*

—v.—

SEMI-ALLOYS, INC.,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

## BRIEF FOR THE RESPONDENT IN OPPOSITION

JAY GREENFIELD
MOSES SILVERMAN
(*Counsel of Record*)
PETER BUSCEMI
HILLARY WEISMAN
PAUL, WEISS, RIFKIND,
WHARTON & GARRISON
345 Park Avenue
New York, New York 10154
(212) 644-8000

*Attorneys for Respondent Semi-Alloys, Inc.*

*Of Counsel:*

MICHAEL I. RACKMAN
GOTTLIEB, RACKMAN
& REISMAN, P.C.
1430 Broadway
New York, New York 10018

WILLIAM J. QUINLAN
MEAD, BEGLEY & QUINLAN
133 Wall Street
Schenectady, New York 12305

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## QUESTIONS PRESENTED

1. Whether, when an antitrust plaintiff is unable to show any injury attributable to the alleged antitrust violations, the district court is nevertheless obliged to define the "relevant market" before granting summary judgment for the defendant.

2. Whether a competitor has automatic standing to complain about alleged antitrust violations even if the competitor is unable to show injury attributable to the alleged violations.

3. Whether the district court, having considered the "totality of the circumstances," properly concluded that petitioner did not have a "reasonable apprehension" of a patent infringement suit against itself or its customers and therefore there was no subject matter jurisdiction for an action seeking a declaratory judgment that patents are invalid and not infringed.

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## BRIEF FOR THE RESPONDENT IN OPPOSITION

### OPINIONS BELOW

The opinion of the court of appeals unanimously affirming the district court (Pet. App. A-1 to A-9) is reported at 781 F.2d 879. The opinion of the district court granting summary judgment to respondent (Pet. App. D-1 to D-18) is reported at 611 F. Supp. 379. Earlier opinions of the district court (Pet. App. B-1 to B-18 and C-1 to C-10) are reported at 566 F. Supp. 1344 and 591 F. Supp. 608, respectively. The order of the district court amending its first opinion (Pet. App. B-19 to B-20) is not reported.

## JURISDICTION

The judgment of the court of appeals (Pet. App. E-1 ) was entered on December 26, 1985. A petition for rehearing was denied on February 24, 1986 (Pet. App. F-1). The petition for a writ of certiorari was filed on May 27, 1986. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

## STATUTES INVOLVED

The relevant statutes are reproduced in Pet. App. G-1 to G-4.

## STATEMENT

### A. The Proceedings Below

Petitioner Indium Corporation of America ("Indium") brought this antitrust and declaratory judgment action to challenge the validity of three patents of respondent Semi-Alloys, Inc. ("Semi-Alloys") and to seek recovery of treble damages for alleged antitrust violations concerning those patents.[1] Alleging that the patents were fraudulently obtained, that the inventions covered by the patents were "obvious" and that it was a competitor of Semi-Alloys, Indium claimed that Semi-Alloys had unlawfully used and enforced the patents to monopolize the relevant product market (Pet. App. C-1 to C-2, C-5). Indium also alleged that Semi-Alloys had unlawfully conspired with another competitor, Williams Gold Refining Company, to settle earlier litigation concerning the same patents in a way that left the patents intact, even though Semi-Alloys and Williams Gold both allegedly knew that the patents were invalid (Pet. App. C-5). Indium sought treble damages

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1 At the time of the decisions appealed from, Semi-Alloys was a division of Allied Corporation and Allied-Signal Inc. Since May 23, 1986, Semi-Alloys has been a division of The Henley Group Inc.

for alleged violations of Sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1 and 2, as well as a declaratory judgment that the three patents were invalid.

The product covered by the three patents is called a "tack-welded frame lid" or a "combination cover." The district court has concisely described the product, its use, and the three patents involved (Pet. App. D-2 n.1):

> A tack-welded frame lid or combination cover is composed of two elements, a lid and a frame, which are also sold individually as separate products. A lid is a thin piece of metal plated with gold. A frame is a piece of gold-tin alloy solder in the shape of a picture frame. A tack-welded frame lid or combination cover is a lid and frame that have been joined by tack welding.
>
> Lids and frames, either as separates or as combination covers, are used to seal semiconductor devices into ceramic containers. Semi-Alloys' patents relate to the method of making a combination cover, the combination cover itself, and the method of using a combination cover to seal a semiconductor package.

A diagram illustrating the product is reproduced in the petition (Pet. 5) and in the court of appeals' opinion (Pet. App. A-2).

In May 1982, Indium filed the initial complaint in this action in the United States District Court for the Northern District of New York. In a detailed opinion (Pet. App. B), the district court dismissed the complaint, finding (i) that the antitrust claims were "woefully inadequate in alleging the plaintiff's harm, and the relationship between the defendant's wrongdoing and the plaintiff's harm" (Pet. App. B-14); and (ii) that, even taking all the allegations of the complaint as true, Semi-Alloys' conduct "was not sufficiently threatening to induce a 'reasonable apprehension' of an infringement suit on the part of Indium" (*id.* at B-6). Accordingly, the court held that the complaint failed to establish Indium's antitrust standing and failed to allege the "actual case or controversy" required

before Indium could seek a declaratory judgment regarding the validity of the patents. The court granted Indium leave to amend its complaint to attempt to cure these deficiencies (Pet. App. B-20).

In August 1983, Indium replaced its 19-page original complaint with a 58-page amended complaint, accompanied by 114 pages of exhibits (I J.A. 1-177, 252-270).[2] The district court sustained the sufficiency of the amended complaint as a matter of pleading (Pet. App. C) and then "limited initial discovery to the questions of jurisdiction and standing in anticipation of summary judgment motions on these threshold issues" (Pet. App. D-2 to D-3). After thorough discovery and briefing by the parties, the district court granted summary judgment in favor of Semi-Alloys dismissing the amended complaint.

The district court held that the evidence did not raise any genuine issue of material fact regarding Indium's standing to pursue its antitrust claims or regarding the existence of an actual case or controversy sufficient to support jurisdiction over Indium's declaratory judgment action. Based on a comprehensive review of the undisputed evidence—virtually all of which came from Indium's files and from its own witnesses—the court concluded that Indium did not suffer and could not have suffered any injury as a result of the alleged antitrust violations (Pet. App. D-11 to D-18) and that, considering the totality of circumstances, Indium could not have had a "reasonable apprehension" of a patent infringement suit by Semi-Alloys to enforce the allegedly invalid patents against Indium or its customers (*id.* at D-4 to D-11). Accordingly, the court entered judgment dismissing the amended complaint in all respects.

The court of appeals affirmed in a unanimous opinion which relied largely on the opinion of the district court (Pet. App. A).

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2 "I J.A." refers to Volume I of the six-volume joint appendix in the court of appeals. A copy of this volume has been lodged with the Clerk of this Court.

## B. The Factual Findings of the District Court

Indium's extraordinary statement of facts (Pet. 5-10), absolutely devoid of citations to the opinions below or the record, seems to be describing some other case. Indium in effect asks this Court to decide not the case actually litigated below, but the case that Indium wishes it could have brought. To correct the misleading impressions that Indium seeks to create, we review here the factual findings of the district court with respect to Indium's alleged antitrust standing and with respect to the alleged existence of an actual case or controversy between the parties regarding the validity of Semi-Alloys' patents. We note that in this Court, Indium does not appear to challenge the district court's conclusion that the record does not reveal any genuine issue of material fact. Rather, Indium purports to challenge the decision below solely on legal grounds. The district court's factual findings, sustained by the court of appeals, are therefore conclusive at this stage of the litigation.

### 1. *Antitrust Standing*

The district court began its discussion of antitrust standing by observing that "[t]he parties here essentially agree on the law that is applicable in deciding this issue" (Pet. App. D-11). The court then stated that "in order to establish antitrust standing Indium must show that it was injured by the wrongdoing of Semi-Alloys" (*ibid.*). Even now, Indium appears to accept this fundamental proposition.

The amended complaint alleges four kinds of harm that Indium allegedly suffered as the result of Semi-Alloys' alleged antitrust violations. They are (I J.A. 41-43):

(i) lost sales of frames;

(ii) lost sales of combination covers;

(iii) legal and other expenses incurred in defending the so-called *Paschall* lawsuit, in which Semi-Alloys, after Indium hired one of Semi-Alloys' former employees,

sued Indium and the employee in state court to enjoin the disclosure to Indium of any of Semi-Alloys' trade secrets (see I J.A. 147-168); and

(iv) legal expenses incurred in investigating the validity of Semi-Alloys' patents.

Indium now combines the third and fourth alleged elements of damages into a single element and also alleges a new kind of damages—decline in the value of Indium's frame-making equipment—that was not alleged in the amended complaint (Pet. 15-16).

Plainly, the second element of damages listed above, the alleged preclusion of Indium from making and selling combination covers, was the principal focus of Indium's antitrust claims. In the amended complaint, Indium alleged that its damages from lost sales of combination covers were $12.8 million; by contrast, the alleged damages from lost sales of frames were $100,000, and the alleged damages arising from the *Paschall* lawsuit and the investigation of Semi-Alloys' patents were together $100,000 (I J.A. 45; Pet. App. C-6). Accordingly, the district court concentrated its attention on Indium's claim that Semi-Alloys' wrongful enforcement of its patents precluded Indium from producing and marketing combination covers.

To test Indium's claim that Semi-Alloys' wrongful conduct caused Indium to lose sales of combination covers, the district court considered first whether Indium was ready, willing, and able to manufacture combination covers during the alleged damage period from 1975 until early 1982 (Pet. App. D-12 to D-14), and second whether Semi-Alloys enforced its patents against Indium or took any other action against Indium to keep Indium out of the combination cover business (*id.* at D-14 to D-17). The court found that Indium had no evidence in support of its position on either count and that Indium's admissions in its own documents and testimony proved the opposite.

**a.** *Indium's lack of preparedness*

Based on documents from Indium's own files and the testimony of Indium's own officers, the district court found that "Indium was not prepared to enter the combination cover market until sometime after it finalized its decision to enter that business in September, 1981" (Pet. App. D-14). Prior to September 1981, the court said, "Indium did not have the expertise or experience to manufacture combination covers in house, Indium did not enter into any contracts with subcontractors that might fill the gaps in its in house capabilities, [and] Indium did not acquire the machinery it needed to manufacture the combination covers" (*id.* at D-13). In fact, the court noted, citing the testimony of Indium's president, "Indium did not make crucial managerial decisions regarding the production of combination covers until December, 1981" (*ibid.*).

Moreover, the district court found: "Once Indium did 'finalize' its decision to go ahead, it took Indium nearly a year before it produced its first combination cover" (Pet. App. D-13). The court further observed that, by Indium's own admission, "this period was considerably shortened by two fortuitous events"—the decision by another manufacturer of combination covers, Consolidated Refining Corporation ("CRC"), to liquidate its business, thus enabling Indium to purchase certain essential equipment from CRC, and Indium's hiring of Jack Paschall, a former Semi-Alloys employee, who became the first Indium employee with experience in making combination covers (*id.* at D-13 & n. 6). Indium not only had no experience in manufacturing combination covers, the court said, but it also "had no experience in manufacturing lids, which are necessary components in a combination cover" (*id.* at D-13).

If any further evidence were needed that Indium was not prepared to manufacture combination covers during the alleged damage period, the district court found it in a 1979 report prepared by Indium's internal Combination Cover

Committee, a group formed to investigate the viability of Indium's entering the combination cover business. The report concluded that there were significant "roadblocks" to Indium's entry unrelated to the patents; this, the court found "clearly demonstrate[d] that Indium has not been prepared to manufacture combination covers since 1975" (Pet. App. D-13 & n.17).[3]

The district court rejected Indium's contention that it was "ready, willing and able to enter the combination cover business because it could have engaged a subcontractor to do the manufacturing operations it could not perform with its own equipment and expertise" (Pet. App. D-14). The court noted that "Indium not only did not hire any subcontractors, it did not even explore the possibility of hiring a subcontractor" (*ibid.*). The court further explained that "[a]nyone *can* hire a subcontractor to manufacture and assemble the component parts of a product" (*ibid.*; emphasis in original). If the financial wherewithal to hire a subcontractor were the only prerequisite for a showing of preparedness to manufacture a product, the court said, anyone with sufficient funds could establish antitrust standing by "merely stating that it *could* have been ready, willing and able to enter the business" (*ibid.*; emphasis added).

**b.** *Semi-Alloys' alleged exclusion of Indium through enforcement of the Semi-Alloys patents*

The district court also found that "Indium has not come forward with any evidence that Semi-Alloys tried to enforce its patents to keep Indium from the combination cover market" (Pet. App. D-17). The court found that proof of such attempted enforcement does not necessarily require an actual or threatened patent infringement suit (*ibid.*). But even under the court's liberal conception of what might constitute patent

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3 The report itself and other evidence from Indium's files concerning this and other critical points was designated "confidential" by Indium and was filed in-camera in both the district court and the court of appeals (Pet. App. D-3 n.2).

enforcement, the court ruled that "Semi-Alloys did not attempt to enforce its patents against Indium" (*ibid.*).

Referring back to the discussion of declaratory judgment jurisdiction with which it began its opinion, the district court observed that "many of Indium's allegations have been shown to be unsupported by any evidence" (Pet. App. D-16). For example, the court noted, Indium alleged that Semi-Alloys had sued or threatened to sue *every* supplier of combination covers other than its alleged co-conspirator, Williams Gold. The court found, however, that "Semi-Alloys has presented ample proof that it did not sue or threaten every other supplier of tack-welded frame lids except Williams Gold" (*ibid.*). The court also found that neither Semi-Alloys' February 1982 offer to license its patents to Indium nor Semi-Alloys' suit against Indium in the *Paschall* litigation showed that Semi-Alloys sought to enforce its patents against Indium. In the court's view, the letter offering a license to Indium was "clearly non-threatening" (*ibid.*; see also Pet. App. B-4 to B-5, reproducing the text of the letter). And, the court said, in the *Paschall* action, Semi-Alloys " 'limited itself to asserting its competitive rights under state law, and did not place the patent infringement question in controversy' " (Pet. App. D-16, quoting the district court's earlier opinion at Pet. App. B-6).

In short, the court concluded, "Indium has not come forward with any proof to refute Semi-Alloys' showing that it was not engaged in a 'vigorous course of enforcing' its patents" (Pet. App. D-16). The mere allegations that Indium was a direct competitor of Semi-Alloys and that Semi-Alloys' patents were fraudulently procured were, the court ruled, insufficient to show enforcement against Indium. The court found added support for this conclusion in Indium's failure "to even inquire about the terms of a license" (Pet. App. D-17).

* * * * *

Accordingly, both because Indium was not prepared to produce and market combination covers during the alleged

damage period, and because Semi-Alloys did nothing to enforce its patents against Indium to keep Indium out of the business of manufacturing combination covers, the district court ruled that Indium could not possibly have suffered any lost sales of combination covers as the result of Semi-Alloys' alleged antitrust violations. The court therefore held that Indium lacked standing to pursue its $12.8 million antitrust claim.

The court did not separately address Indium's standing to pursue its lesser claims of antitrust damages, but the court's opinion plainly shows that those alleged injuries too could not possibly have been caused by Semi-Alloys' alleged antitrust violations.

With respect to Indium's alleged loss of frames sales, the simple fact was—as Indium itself admits (Pet. 7, 9)—that once the combination cover product became available, most customers chose to buy combination covers rather than separate frames and lids. In Indium's words, "[t]he trend in 1975 was already toward selling frames in the tack-welded form" (Pet. 7), and by 1982 combination covers had "engulfed virtually the entire relevant market" (Pet. 9). The district court expressly found that Indium provided "no evidence . . . to support its allegations that Semi-Alloys' patents adversely impacted the separate frames market" (Pet. App. D-8 to D-9), and, as we have shown, those allegations run directly counter to Indium's own acknowledgement that reduced sales of frames were attributable, not to any patent enforcement by Semi-Alloys, but to the marketplace's overwhelming preference for the combination cover product.[4]

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4 The alleged decline in the value of Indium's frame-producing equipment (Pet. 15-16) is not an element of the antitrust damages alleged in the amended complaint, and it therefore need not be considered by this Court. In any event, any extraordinary decline in the equipment's value would result from customers' acknowledged preference for combination covers as opposed to separate frames. It could not have been caused by the alleged unlawful enforcement of Semi-Alloys' patents.

With respect to the *Paschall* litigation, the district court expressly found that Semi-Alloys did not seek to enforce its patents through that lawsuit, but rather confined its complaint to asserting its competitive rights under state law (Pet. App. D-16). Moreover, the *Paschall* litigation was filed in March 1982 and settled in August 1982 (I J.A. 147-168). By that time, Indium was actively engaged in manufacturing combination covers, undeterred by Semi-Alloys' patents. It is apparent, therefore, that the *Paschall* suit could not possibly have involved any antitrust injury to Indium.

Finally, the costs allegedly incurred by Indium in investigating the validity of Semi-Alloys' patents cannot form an independent basis for alleged antitrust injury. The district court expressly found that Semi-Alloys "did not attempt to enforce its patents against Indium" (Pet. App. D-17), and any investigation Indium may have made regarding the validity of those patents therefore was not properly attributable to any alleged wrongful conduct by Semi-Alloys against Indium.

In sum, the district court found that none of the forms of antitrust injury alleged by Indium could possibly have been the result of Semi-Alloys' alleged antitrust violations. Because Indium could not show that it suffered harm as a consequence of Semi-Alloys' alleged illegalities, the court held that Indium lacked antitrust standing.

### 2. *Declaratory Judgment Jurisdiction*

Turning to the question of its subject matter jurisdiction over Indium's request for a declaratory judgment regarding the validity of Semi-Alloys' patents, the district court again began by noting that "[t]he parties do not dispute the law applicable to the issue of declaratory judgment jurisdiction" (Pet. App. D-4). To support such a declaratory judgment action, the court said, plaintiff must show " 'a reasonable apprehension of an infringement suit or threat of one to itself and its customers if plaintiff continues the activity in question' " (Pet. App. B-3, quoting *Nippon Electric Glass Co.* v. *Sheldon*, 489 F. Supp. 119, 122 (S.D.N.Y. 1980)).

Having stated the applicable legal standard, the district court reviewed its earlier opinion dismissing the original complaint. There, the court considered three specific items identified by Indium as the basis for its alleged apprehension of an infringement suit—

(i) two patent infringement suits brought by Semi-Alloys in 1975 (seven years before the complaint here), one against a competitor (Plessey, Inc.) and one against a customer of another competitor, Williams Gold;[5]

(ii) Semi-Alloys' February 1982 offer to license its patents to Indium; and

(iii) Semi-Alloys' March 1982 trade-secret and breach-of-employment-contract action against Indium in *Paschall*—

and the court held that "Semi-Alloys' conduct was not sufficiently threatening to induce reasonable apprehension of an infringement suit in Indium" (Pet. App. D-4 to D-5; *see also* Pet. App. B-6 to B-7).

The court observed that in its amended complaint, Indium alleged additional facts intended to show that Semi-Alloys' conduct, viewed as a whole, created an "ominous business context" that justified Indium's apprehension of an infringement suit. Based on these new allegations, the court sustained the sufficiency of the declaratory judgment portion of the amended complaint (Pet. App. C-2 to C-5) and permitted the parties to conduct extensive discovery concerning these new factual allegations.

After that discovery was completed, the district court reviewed the evidence produced—principally Indium's admis-

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5 After Semi-Alloys sued Williams Gold's customer in the Northern District of Texas in 1975, Williams Gold sued Semi-Alloys in the Western District of New York, seeking a declaration that Semi-Alloys' patents were invalid. The *Williams Gold* lawsuit was transferred to Texas and consolidated with Semi-Alloys' suit against Williams Gold's customer (Pet. App. B-3). The litigation was subsequently settled.

sions—and found Indium's new allegations to be totally unsupported. It held that "the business context was not ominous when Indium commenced this lawsuit" (Pet. App. D-10). The court explained (*ibid.*; footnote omitted):

> Semi-Alloys never sued Indium on the patents nor did it threaten to sue Indium on the patents. The evidence shows that Indium believed Semi-Alloys' patents were invalid and that Semi-Alloys would therefore not risk filing a patent infringement suit. The allegations in the amended complaint which seek to demonstrate an ominous business context have been effectively refuted by Semi-Alloys' evidence. Indium's opposing papers have primarily recited the same allegations contained in the amended complaint. Indium has not come forward with the "concrete particulars" necessary to refute Semi-Alloys' proof.

Point by point, the court described the myriad inconsistencies between Indium's allegations and the relevant evidence, which came from Indium's own files and witnesses. Indium claimed, for example, that "Semi-Alloys had sued or threatened every other supplier of combination covers, driving all such suppliers from the market except Williams Gold" (Pet. App. D-6). Indium further alleged that when it began producing combination covers in 1982 it was the only supplier that had not yet been sued or threatened with suit by Semi-Alloys (*ibid.*). The district court found, however, that "Indium's own documents demonstrate that it was aware of at least three other companies that made combination covers and were not sued or threatened by Semi-Alloys" (*id.* at D-9). In particular, the court said (*ibid.*; footnotes omitted):

> Indium was informed by several sources that Device Closures manufactured combination covers. Indium was also told that Cominco and Wesgo were taking orders for combination covers. Indium has failed to produce any evidence to show that it was aware of any legal action taken by Semi-Alloys against any of these companies.

The court also found Indium's allegations unsupported with respect to other manufacturers of combination covers. Indium claimed, for example, that Semi-Alloys threatened CRC with a patent infringement suit and drove CRC from the combination cover business (Pet. App. D-6). The district court found, however, that "[t]he documents produced from Indium's files during discovery directly contradict this allegation" (*id.* at D-7). The court set forth the reasons for this finding in some detail (*ibid.*; footnotes omitted):

> A November 11, 1981 internal Indium memorandum indicates that CRC's owner decided to liquidate the company for personal reasons. Indium also had in its files a September 8, 1981 article from the *Wall Street Journal* which indicated that CRC's reason for liquidation was to take advantage of a substantial tax benefit which would not be available if CRC did not liquidate in 1981. Indeed, Indium's President, William Macartney, admitted in his deposition testimony that he really did not know why CRC went out of business. Indium simply has not come forward with any evidence which supports its allegation that it knew that CRC had been threatened with a patent infringement suit and thus, was driven from the market by Semi-Alloys.

The district court found that Semi-Alloys' patent litigation with Williams Gold "could not have caused Indium apprehension of suit because Indium believed that Semi-Alloys had paid Williams Gold to settle the lawsuit" (Pet. App. D-7). The court was aware of Indium's contention that the settlement made Indium more apprehensive "because it indicated that Semi-Alloys and Williams Gold had entered into a conspiracy to divide up the relevant combination cover market" (*id.* at D-8). But the court found that, except for believing that Semi-Alloys paid Williams Gold, Indium "does not know what the settlement between Semi-Alloys and Williams Gold involved" (*ibid.*).

Similarly, the district court found no basis for Indium's allegation that "Semi-Alloys forced manufacturers of separate frames to lose customers or to go out of business and specifically that Alpha Metals was forced out of business by Semi-Alloys" (Pet. App. D-8). In fact, the court said, Indium's claim was "directly contradicted by the deposition testimony of Indium's President Macartney who testified that even in the absence of the Semi-Alloys patents, it was likely that Alpha Metals would have left the separates business" (*ibid.*).

The district court also rejected Indium's contention that it could have had a reasonable apprehension of a patent infringement suit based on "rumors" that Semi-Alloys would sue anyone that infringed its patents. Particularly in light of Indium's failure of proof with respect to virtually every new allegation in the amended complaint, the district court was not prepared to accept such a flimsy basis for declaratory judgment jurisdiction. The court explained (Pet. App. D-9; emphasis in original):

> Semi-Alloys has produced competent evidence refuting each and every new allegation in the amended complaint that relates to declaratory judgment jurisdiction. Indium has not come forward with any evidence demonstrating that such rumors existed or that belief in such rumors without corroborating evidence could create a *reasonable* apprehension of suit.

Finally, in an effort to demonstrate the genuineness of its concern about the possibility of a patent infringement suit by Semi-Alloys, Indium sought to rely on a letter from its patent counsel which indicated that Indium was drafting a counterclaim "in anticipation of some affirmative action by Semi-Alloys" (Pet. App. D-9 to D-10). Upon reviewing the relevant documents from Indium's files, however, the district court found that the letter from counsel was written in response to a letter from an Indium employee, which, far from showing concern about a possible patent suit by Semi-Alloys, sought advice "about the possibility of using the threat of a patent suit *by Indium* to respond to a suit by Semi-Alloys concerning

Indium's hiring of Paschall" (Pet. App. D-10; emphasis in original). The exchange of correspondence showed, in the court's view, that Indium did not fear a patent infringement suit but was in fact "looking for a way to file a suit concerning the patents" (*ibid.*).

Based on its detailed review of the evidence presented by the parties, the district court concluded that "Indium could not have had a reasonable apprehension of being sued on the patents" (Pet. App. D-10). Accordingly, the court held that there was "no justiciable controversy between the parties concerning the patents" and that the court did not have subject matter jurisdiction over the patent claims (*id.* at D-10 to D-11).

## ARGUMENT

The district court and the court of appeals correctly applied well-established legal principles to the facts of this case, and their decisions do not conflict with any decisions of this Court or any other court. Although Indium purports to present legal challenges to the ruling below, the petition is essentially an effort to persuade this Court that the facts are as alleged in the amended complaint, rather than as the district court found them based on Indium's admissions. As we have shown, however, the courts below had ample reason for rejecting Indium's unsupported allegations. The district court made its factual findings only after a detailed review of the evidence, and there is no ground for this Court to reconsider those findings now. Review by this Court is not warranted.

### I. ONCE THE COURTS BELOW FOUND THAT PETITIONER COULD NOT HAVE BEEN INJURED BY THE ALLEGED ANTITRUST VIOLATIONS, IT WAS NOT NECESSARY TO DEFINE THE "RELEVANT MARKET"

Indium argues at length (Pet. 10-20) that the decision below is flawed because the district court and court of appeals did not properly define the relevant market. The argument is mis-

guided. To establish standing under the antitrust laws, a plaintiff must show, among other things, that it has suffered injury as a result of the alleged antitrust violation. If the plaintiff cannot show that it was harmed and that the harm was causally related to the alleged illegality, the relevant market does not matter.

This Court and others have frequently resolved antitrust standing issues without precisely defining the relevant market. In *Associated General Contractors* v. *California State Council of Carpenters*, 459 U.S. 519 (1983), for example, this Court had no occasion to describe the bounds, either in product or geographical terms, of the contracting market involved. Likewise, in *Blue Shield* v. *McCready*, 457 U.S. 465 (1982), it was not necessary for the Court, in resolving the standing issue, to specify which psychologists and which services in which areas constituted the market affected by the alleged conspiracy. Such issues may well be pertinent in determining liability or in assessing damages, but they simply do not bear on standing—particularly where, as here, there is no cognizable injury.

In this case, it makes no difference whether the relevant product market is combination covers or frames sold separately. As the courts below correctly found, Indium suffered no injury in any market—no matter how defined—as a result of Semi-Alloys' alleged antitrust violations. In the words of the court of appeals (Pet. App. A-6): "If Indium was not prepared to manufacture combination covers until late 1981, no conduct on the part of Semi-Alloys could have injured it." In these circumstances, the courts correctly ruled that Indium lacks antitrust standing, regardless of the relevant market.

## II. COMPETITORS WHO HAVE NOT SUFFERED INJURY DO NOT HAVE AUTOMATIC STANDING TO CHALLENGE ALLEGED ANTITRUST VIOLATIONS

Indium insists that it is an actual competitor of Semi-Alloys in the relevant market and that it therefore was improper for the courts below to apply an "entry preparedness test" as a prerequisite for antitrust standing (Pet. 20-22). Once again, petitioner's argument misses the mark.

Indium alleged in the amended complaint that as a result of Semi-Alloys' unlawful conduct it suffered $12.8 million in lost sales of combination covers. The issue is whether Indium did or did not suffer that alleged injury as a result of alleged unlawful conduct *by Semi-Alloys*. Indium could hardly have lost sales of combination covers if it could not have produced and marketed such covers, even in the absence of Semi-Alloys' alleged wrongdoing. Whether Indium is or is not a competitor of Semi-Alloys in the relevant market is beside the point. The question is whether Indium would have sold combination covers during the alleged damage period if Semi-Alloys had not engaged in the alleged unlawful conduct.

The courts below found, based on Indium's admissions, that Indium would not have made such sales, and they further found that Indium's evidence did not raise any genuine issue of material fact on the issue. The courts held that, even assuming the truth of Indium's claim that Semi-Alloys was an unlawful monopolist, Indium suffered no ill effect because Indium was not prepared to manufacture combination covers until 1982 (when it in fact started making the product), and because Semi-Alloys did not attempt to enforce its patents against Indium.[6] Those are the key findings regarding Indium's anti-

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6 In determining that Indium suffered no antitrust injury because it was not prepared to manufacture combination covers before it actually began to do so in 1982, the district court followed the analysis of *Waldron* v. *British Petroleum Co.*, 231 F. Supp. 72, 81-82 (S.D.N.Y. 1964) (Pet. App. D-12 to D-13 and A-6), a decision widely followed by circuit and district courts. *See, e.g., Solinger* v. *A & M Records, Inc.*, 586 F.2d 1304, 1309-10 (9th Cir. 1978), *cert. denied*, 441 U.S. 908 (1979); *Hecht* v. *Pro-Football, Inc.*, 570 F.2d 982, 994 (D.C. Cir. 1977), *cert. denied*, 436 U.S. 956 (1978); *Martin* v. *Phillips Petroleum Co.*, 365 F.2d 629, 633-34 (5th Cir.), *cert. denied*, 385 U.S. 991 (1966); *Reaemco, Inc.* v. *Allegheny Airlines*, 496 F. Supp. 546, 554 (S.D.N.Y. 1980); *Denver Petroleum Corp.* v. *Shell Oil Co.*, 306 F. Supp. 289, 307-08 (D. Colo. 1969). *See also Bubar* v. *Ampco Foods, Inc.*, 752 F.2d 445, 451-52 (9th Cir.), *cert. denied*, 105 S.Ct. 3481 (1985); *Out Front Productions, Inc.* v. *Magid*, 748 F.2d 166, 170 (3d Cir. 1984); *Curtis* v. *Campbell-Taggart, Inc.*, 687 F.2d 336, 338 (10th Cir.), *cert. denied*, 459 U.S. 1090 (1982); *Huron Valley Hospital, Inc.* v. *City of Pontiac*, 666 F.2d 1029, 1033 (6th Cir. 1981).

trust standing. They are based on Indium's admissions and are not—and cannot be—challenged. Characterizing Indium as Semi-Alloys' direct competitor does not change them.

## III. THE COURTS BELOW PROPERLY EVALUATED ALL THE CIRCUMSTANCES AND FOUND THAT PETITIONER DID NOT HAVE A REASONABLE APPREHENSION OF A PATENT INFRINGEMENT SUIT BY RESPONDENT

Although Indium concedes that the court of appeals followed the correct legal standard in deciding whether Indium's declaratory judgment action satisfied the jurisdictional "case or controversy" requirement, Indium contends that the court failed to apply that standard "in a pragmatic fashion in light of business realities" (Pet. 23; *see id.* at 22-27). Indium's argument is refuted by the detailed opinion of the district court (Pet. App. D-4 to D-11), as well as by the court of appeals' affirmance of that decision (Pet. App. A-7 to A-9).

As our summary of the district court's opinion shows (*see supra* pages 11-16), the court carefully considered all of the evidence that Indium presented in support of its assertion that at the time this lawsuit was filed Indium's apprehension of a patent infringement suit was reasonable in light of the "ominous business context" allegedly created by Semi-Alloys. On virtually every point, the district court found that Indium's allegations were unsupported by, or were contradicted by, the evidence. The court found not only that "the business context was not ominous when Indium commenced this lawsuit" (Pet. App. D-10), but also that Indium was actually "looking for a way to file a suit concerning the patents" (*ibid.*). Far from being concerned about such litigation, Indium actually sought it out (*ibid.*). Even if one assumes for the sake of argument that Indium was subjectively concerned about a lawsuit by Semi-Alloys, the evidence reviewed by the district court plainly demonstrates that any such concern would not have been reasonable.

The court of appeals' opinion also shows that the courts below considered the totality of the circumstances before concluding that Indium could not have had a reasonable apprehension of suit. The court expressly noted Indium's reliance not only on Semi-Alloys' 1975 patent litigation and Semi-Alloys' February 1982 offer of a license to Indium, but also on "a host of other allegedly ominous circumstances," including many of the same matters that Indium now rehashes in its petition (*e.g.*, "allegations of a 'conspiratorial settlement' of Semi-Alloys' litigation with Williams, [and] the fact that Semi-Alloys had brought suit against Indium in state court for its hiring of Semi-Alloys' chief engineer") (Pet. App. A-8). Like the district court, the court of appeals correctly concluded that all the evidence submitted by Indium, taken together, did not satisfy the declaratory judgment plaintiff's burden of "proving 'the existence of facts underlying' his allegations of the existence of an actual controversy" (*ibid.*, quoting *Jervis B. Webb Co.* v. *Southern Systems, Inc.*, 742 F.2d 1388, 1399 (Fed. Cir. 1984)).

There is absolutely no basis for Indium's assertion (Pet. 24) that the court of appeals' decision is tantamount to a holding that a plaintiff cannot have a reasonable apprehension of suit unless he has actually been sued or has been overtly threatened with suit. That is just what the court of appeals did not say, and the district court made the point even more explicit. In sustaining the sufficiency of the declaratory judgment portion of Indium's amended complaint, as a matter of pleading, the district court expressly held that a direct threat of litigation is not essential to establish jurisdiction and that a plaintiff can show that a patent has been enforced against it without proof "that the defendant expressly threatened plaintiff with an infringement suit" (Pet. App. C-8; *see id.* at C-2 to C-5).

There is also no merit to Indium's suggestion (Pet. 26) that Semi-Alloys' offer of a license to Indium was automatically sufficient both to confer antitrust standing on Indium and to provoke in Indium a reasonable fear of litigation by Semi-Alloys. The letter in which Semi-Alloys extended the offer of a

license to Indium (Pet. App. B-4 to B-5) is about as innocuous as a letter can be, and both courts below correctly held that it could not have created in Indium a reasonable fear of being sued. Neither of the cases cited by Indium, *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), and *Jack Winter, Inc.* v. *Koratron Co.*, 375 F. Supp. 1 (N.D. Cal. 1974), stands for the proposition that an offer of a patent license invariably gives rise to a reasonable apprehension of an infringement suit. *Lear* held only that a patent licensee is not estopped from challenging the validity of the underlying patent, and *Jack Winter* merely observed that, under appropriate circumstances (including a showing of injury causally related to the enforcement of the challenged patents), a patent licensing system based on fraudulently obtained patents can give rise to antitrust liability. Neither decision helps Indium here.

## CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

JAY GREENFIELD
MOSES SILVERMAN
(*Counsel of Record*)
PETER BUSCEMI
HILLARY WEISMAN
PAUL, WEISS, RIFKIND,
WHARTON & GARRISON
345 Park Avenue
New York, New York 10154
(212) 644-8000

*Attorneys for Respondent*
*Semi-Alloys, Inc.*

*Of Counsel*:

MICHAEL I. RACKMAN
GOTTLIEB, RACKMAN
& REISMAN, P.C.
1430 Broadway
New York, New York 10018

WILLIAM J. QUINLAN
MEAD, BEGLEY & QUINLAN
133 Wall Street
Schenectady, New York 12305

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